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a report containing information on

Polish economic conditions and prospects

for 1958

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Poland's recent Economic State and Prospects
for 1958 and after.

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in 1957 there was an average increase in wages and salaries of 20% although in fact certain categories received up to 43% increases and some 25%. These wage increases resulted in a severe strain on POLAND's economy. They were, however, necessary.

3. The coal miners received the highest increase, 43%, the reason being the vital importance of increasing POLAND's coal production. The mining industry was in a serious state. Miners had to work, in addition to normal hours, 24 Sundays a year. They were grossly underpaid and their morale was at low ebb. This was for two reasons. Prisoners worked with them in the mines and Army personnel were drafted to the mines. The prisoners, having served their sentence, left the mines and obtained other employment, whereas the miners were not allowed to change their work. The Army personnel were much better paid, fed and clothed than the miners. More serious still was the virtual impossibility of getting recruits for the mining industry. The result was that POLAND's most valuable raw material available for export was not being properly exploited.

4. The Council of Ministers had debated this problem and came to the conclusion that, despite the serious economic situation, an immediate increase in wages must be granted. They proposed 30% but they were finally persuaded that 43% was the minimum possible increase. It was also agreed that prisoners would be withdrawn immediately.

5. This drastic increase in wages soon had its effect. The miners were relatively satisfied with their lot and recruits were coming forward. It was hoped that during the first half of 1958 it would also be possible to withdraw Army personnel from the mines. As a further inducement for the recruitment of miners, compulsory Sundays in 1957 were reduced to 12. From January, 1958, Sundays would be reduced to 6. It was hoped that by the end of 1958, Sunday work would be stopped.

6. Workers in the Iron and Steel Industry also received an increase, in their case 25%.

7. 1.5 million workers however, received no increase and furthermore suffered as a result of a 6% rise in consumer goods prices which was necessary to meet the rise in wages. They represented 20% of the working population.

8. Measures taken to meet increased wages.

So as to meet the increased wages the following measures had to

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- i) Greatly reduced capital investment in industry.
- ii) Reduction in the Defence Budget
- iii) Changeover to civilian production of certain military plants.
- iv) 6% increase in consumer goods prices.

9. The changeover to civilian production of military factories presented the greatest problem. The War industry was equipped with modern and highly specialised equipment, which was not easily converted. On examination many plants on changeover would be able to produce little for the civilian market without considerable capital investment in new or modified equipment. An example cited was the large war plant at BYDGOSZCZ, the director of which had stated that the factory, without vast capital investment, would only produce eyelets for shoe-laces. Furthermore 6 months' production once converted would meet world demand in eyelets for 6 years! It was therefore decided that conversion of this plant would be held over to 1958 when it was hoped sufficient funds would be available. It was remarked, clearly implying the Russians, that the people who designed and set up the War industry were fools.

10. However, certain plants were being converted, for instance :-

- i) An aircraft Factory (unnamed) was under consideration for conversion to construction of "baby" cars on the lines of the VOLKSWAGEN.
- ii) A military plant was being converted to produce motor-cycles. Intention was to double production of motor-cycles, at the same time improving their quality in relation to those currently produced by the motor-cycle factory outside WARSAW.
- iii) A military factory was being converted to making bicycles.

11. Another measure to meet wage increases was the decision to cut stockpiling of strategic raw materials and to make available to industry part of the existing stocks for the production of goods for the civilian market. Certain food stocks for both military and civilian use were also made available to the civilian market. This stockpiling was stipulated under the terms of the Warsaw Treaty. GOMULKA and the Minister for War, SPIKALSKI, informed the Soviet Government that they were taking these steps on their visit to MOSCOW at the end of 1956.

12. Popular reaction to these wage increases varied in the country. In SILESIA, mainly a mining region, the people were satisfied. In WARSAW, however, there was little enthusiasm as the majority of workers received either small or no increases.

13. However, it was hoped that in the next few months there would be wage increases granted to the majority of workers in WARSAW. Increases for railway workers had already been approved. Plans were under way for increases in police pay and old age pensions. All those who received no increase in 1957 should do so by the end of 1958.

Prospects for 1958

14. Because of the considerable decrease in capital investment in 1957, increased investment would be necessary in 1958 to avoid serious economic repercussions in the future. However, every facet of industry was being carefully scrutinised and a study was being made of Western investment techniques. Purchase of equipment would be made in countries producing the best equipment of its type in the world. A total investment sum had been approved

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but of this some 60% would be spent on projects already under way before the advent of GOMULKA. The remaining 40% would be spent on new projects. The intention here was to approach Western countries for patent rights and manufacturing licences for products already well-established in World markets. Because of this investment plan salary increases for 1958 would not exceed an overall average of 6 - 7%.

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16. [redacted] great hopes were placed in the exploitation of lignite deposits which had been totally neglected. At KNUROW near the NEISSE there was a large lignite field at a depth of 40 metres. The seam was 60 metres thick and $\frac{3}{4}$ of the field was in POLAND, the remainder being in EAST GERMANY. This had not been exploited because in the past the Minister for Mines was only interested in exploiting the best existing coal fields and the Minister for Electric Power only wished to use the best coal for his power stations. There was another large lignite field at KONIN between WARSAW and POZNAN. This was also at a depth of 40 metres, although the seam was only 10 metres thick. Plans were already under way for the exploitation of the KNUROW field. This would mean that large quantities of best quality coal would be made available for export for hard currency and as the lignite was so cheap to mine, electric power costs would be considerably reduced. It was estimated that lignite costs would be one third of the current coal prices.

17. The desire of six million Americans of Polish origin to help the people of POLAND was given as one of the reasons for the USA giving economic aid to POLAND. POLAND had hoped for considerably more aid but the USA was anxious to parcel out its money. Although technically the Economic Agreement reached was a strictly commercial one, it could, in fact, be considered a gift. They received a 20 year credit but, written into the Agreement is the possibility of credit extension for an undefined further period. POLAND was currently negotiating for a much larger Aid Agreement. Their aim was to obtain sufficient aid to pay all salaries for two years. This would then enable POLAND to carry out essential capital investment. Despite American reluctance to pay out large sums it was hoped that agreement would be reached. Aid from the UK and FRANCE, though much appreciated, did not greatly effect the Nation's Economy. American aid had had its greatest impact on the peasants. The Government had been able to greatly reduce its compulsory purchasing, at the same time increasing prices paid. This had meant that the peasants were now able to sell their surplus production to the open market which had greatly improved their standard of living.

18. [redacted] a Polish worker on an average received one third of the wages of a Western worker in similar employment and rather less than this in relation to a [redacted] worker.

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At NOVA HUTA, near KRACOW, there was a large modern iron and steel works.

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[redacted] the finished product was expensive by Western standards. This [redacted] ascribed to the low standard of technical training, well below that of the West, and the lack of experience in the operation of modern industrial installations. Therefore, for the time being Polish production prices and quality would remain below that of EAST GERMANY, CZECHOSLOVAKIA and the USSR.

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19. [redacted] policy towards the peasants. The Government's policy in the past had been wrong. In future the intention was to give the peasants all possible freedom and every encouragement to improve their productive capacity and quantity. This policy of liberalisation was resulting in the price of land rising; for example, in the WARSAW environs it had increased eight times. An interesting point was that land prices were quoted in US dollars. This was because there was no restriction on the remittance of dollars from abroad, and Poles abroad were now sending in dollars in appreciable quantities. There was no restriction on currency holdings other than that the amount declared as received from abroad was the maximum amount that might be subsequently taken out of the country. It was the Government's intention to stop compulsory purchases from peasants and purchase on the open market. In addition to relaxations already mentioned above, the Government had realised that the system of land and produce taxation was both arbitrary and far too high. As a result it was decided to cancel all taxes owing from previous years and to reassess all land at a lower rate. Furthermore each peasant now had an agreement with the Government on this taxable rate and this could not arbitrarily be changed during the year. In the past this had frequently occurred.

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